

# **CITY OF FALSE PASS BULK FUEL FACILITY**



## **MONITORING PLAN AND RECOMMENDATIONS II**

Prepared for:  
**ALASKA ENERGY AUTHORITY (AEA)**

**MARCH 24, 2008**

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Prepared by:

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## OVERVIEW

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This Monitoring Plan and Recommendations II was completed under contract to the Alaska Energy Authority as a follow-up to an initial Monitoring Plan and Recommendations report prepared in May 2005. Both of the monitoring reports were prepared as a follow-up to a Bulk Fuel Upgrade project in False Pass, Alaska that constructed a new bulk fuel storage facility with three fuel storage/dispensing tanks, one marine header, and one filler pipeline from the header to the facility. A component of the upgrade project was the development of a Business Operating Plan, which provided a guideline for the City of False Pass's maintenance, operation and sustainability of the Bulk Fuel Upgrade (the "Facility"). The City of False Pass (the "Primary Operator") is responsible to operate and sustain the newly installed Facility according to the criteria and guidelines outlined in the Business Operating Plan.

### ***Facility Participant***

The Facility participant is:

#### *City of False Pass*

Primary Contact Name: Tom Hoblet, Mayor/Bulk Fuel Facility Manager

Phone: (907) 548-2319 Fax: (907) 548-2214

Address: City of False Pass

P.O. Box 50

False Pass, AK 99583

Usage: The City will utilize its Facility assets to operate its utilities and to retail fuel.

### ***Facility Components & Capacity***

The following table provides a summary of the tankage, by type of fuel that is included in the Facility upgrade:

Primary Storage/Dispensing	Number	Gallons Per Tank (Gross)	Total Gallons (Gross)	Gallons Per Tank (Net)	Total Gallons (Net)
<b>City</b>					
# 2 Diesel Primary Storage	3	20,000	60,000	18,000	54,000
<b>Total Primary Storage/Dispensing</b>	<b>3</b>		<b>60,000</b>		<b>54,000</b>
<b>Pipeline Components</b>					
Marine Header	1				
Filler Pipelines (From header to facility)	1				

### ***Community Information***

The community of False Pass is located on the eastern shore of Unimak Island on a strait connecting the Pacific Gulf of Alaska to the Bering Sea and is 646 miles southwest of

Anchorage. Transportation to the village is by air or water and, currently, False Pass has a 2,100-foot gravel runway owned and maintained by the State of Alaska, Department of Transportation and Public Facilities.

The community is primarily Unangan and its economy is typical of other regional villages; it is primarily focused on salmon fishing and subsistence activities. Of the 40 houses, 22 are occupied and 2 are used only seasonally. Water is derived from a nearby spring and reservoir and is treated and stored in two 60,000-gallon tanks. The City operates the electric utility, bulk fuel facility, water system, landfill, and sewer systems.

Selected demographic and historical data for the community is provided below:

***Selected Statistics – False Pass***

<b>Population</b>	
2008 ( <i>city clerk estimate</i> )	37
2000	64
1990	68
1980	70
1970	36
1960	41
1950	42
<b>Housing (2000 Data)</b>	
Occupied Housing	22
Vacant Housing Due to Seasonal Use	2
<b>Economic Data (2000 Data)</b>	
Unemployment Rate	0%
Median Household Income	\$49,375

***City of False Pass***

The City of False Pass successfully administers and operates a number of community programs and services. The following table lists the City's current programs:

<b>CITY OF FALSE PASS CURRENT BUSINESSES AND SERVICES</b>	
<b>Business or Service</b>	<b>Description</b>
Bulk Fuel Storage	Bulk Fuel Facility operations
Electric Utility	Electricity provider
Water & Sewer Utility	Piped water, septic pumping services
Solid Waste Removal	Empty and transport trash
Dock/Boat Ramp Facilities	Maintain and repair
Community Library	Maintain facility, support volunteer efforts
Community Health Clinic	Building owned and leased to clinic
Community Recreational Center	Maintain facility

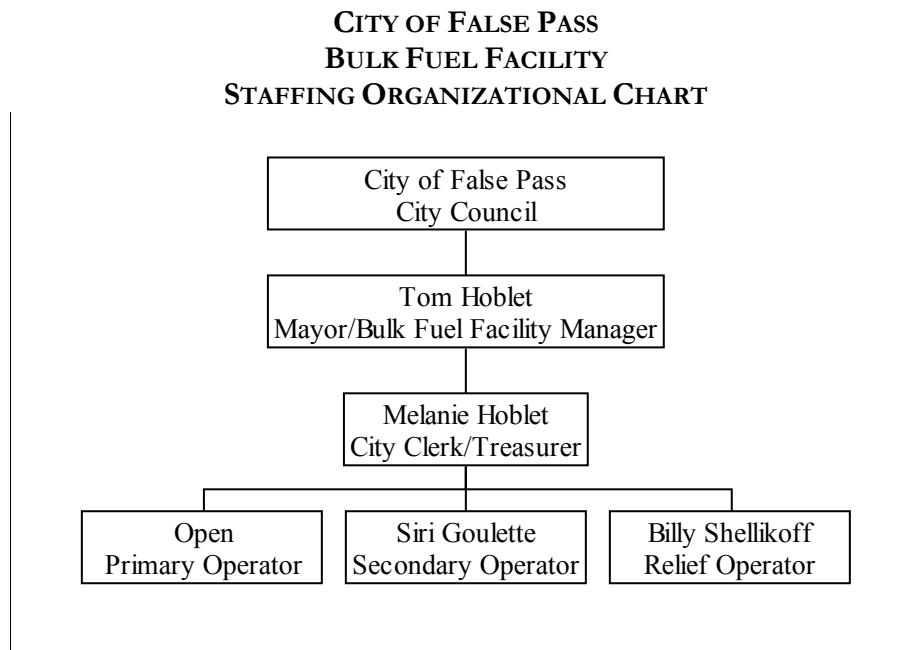
In addition to the above services, the city anticipates a number of projects coming on-line that will impact the services of the City and the population as well. These include:

- Construction of a wastewater treatment facility
- Improvements to the landfill access road
- Addition of lighting to the airport
- Completion of the harbor dredging and breakwater
- Begin float harbor

The City purchases fuel for the community power plant from Crowley Marine about once a year. The last purchase from Crowley was in October '06 and they paid \$2.19/gallon for #2 diesel. This past year they supplemented that purchase with a couple of purchases from the Peter Pan Fish Processing Plant at \$2.85/gallon + \$.08 tax/gallon.

Since the initial Business Operating Plan Monitoring and Recommendations report, (dated May 15, 2005), a new City Mayor, Tom Hoblet, has been seated. Additionally, the City Council roster and most of the facility staff have changed.

The following chart illustrates the updated staff relationships of the City of False Pass' Bulk Fuel Facility:



Mayor, Tom Hoblet, is the Bulk Fuel Facility Manager and is the primary contact for the Facility. He is responsible for communicating the directives and policies of the City Council to staff as well as ordering the fuel. Day-to-day operations and maintenance is currently managed by the Secondary Operator, Siri Goulette. The Primary Operator has given notice and until a new Primary Operator is hired, the Secondary Operator will work in that capacity. Relief Operator, Billy Shellikoff, is available on an as-needed basis and will be called upon until all positions are filled.

The City Clerk/Treasurer, Melanie Hoblet, manages the bookkeeping duties for the City including the Facility. She sends out billings, is responsible for accounts payable and receivable, maintaining the bank account, and preparing monthly financial reports. She works with an Aleutians-East borough representative on annual reports, but was not aware of the Denali Commission annual report requirement.

Following are the current members of the City of False Pass City Council:

City of False Pass City Council	Position
Tom Hoblet	Mayor
John Yanik	Vice Mayor
Gilda Shellikoff	Member
Siri Goulett	Member
Ruth Hoblet	Member
Ernest McKay	Member
Nicole Hoblet	Member

### ***Monitoring Site Visit***

The Alaska Energy Authority contracted with Aurora Consulting, of Anchorage, Alaska, to conduct a site visit to the City of False Pass' Facility and to develop a "*Monitoring Plan and Recommendations II*" report, as a follow-up to the initial "*Monitoring Plan and Recommendations*" report dated May 2005. The scope of the assignment included working with the City to obtain information on existing management and operational systems, comparing those systems to findings of the initial "*Monitoring Plan and Recommendations*", the Business Operating Plan requirements and other "best practices", making recommendations for changes and/or training, developing on-going monitoring tools, and/or, working to cure any deficiencies or defaults experienced by the City.

Aurora Consulting traveled to False Pass on March 13, 2008 to meet with the City's Bulk Fuel Facility management and staff, including:

Contacts	Title
Melanie Hoblet	City Clerk/Treasurer
Chuck Pinkerton	Out-going Primary Operator
Siri Goulett	Secondary Operator

Facility Manager, Tom Hoblet, is also a commercial fisherman and can be away for weeks at a time. This visit coincided with a lengthy fishery opening; and, he was at sea during the visit as well as for several weeks on either side of the visit.

### ***Monitoring Plan and Recommendations***

The following Monitoring Plan and Recommendations is organized into three sections:

- Management and Operational Skills
- Business Operating Plan Compliance
- Recommendations

Management and operational skills identify those skills and practices that are crucial to the short-term viability of a bulk fuel facility, while the Business Operating Plan compliance areas identify those activities that are required by the Denali Commission approved Business Operating Plan.

Management skills include administration, fiscal systems, and collections. Operational skills include the ability to perform maintenance, repair, and operation of the Bulk Fuel Facility. Both skill sets require knowledgeable and trained managers, bookkeepers and facility operators to manage and operate the Facility on a daily basis. In contrast, the business operating compliance section details the key activities and actions required to be completed by the Primary Operator in order to be in compliance with the terms and conditions of their Business Operating Plan.

Additionally, this report includes major recommendations for continued actions and training, which are detailed in the conclusion section of this report. These recommendations are limited to those actions necessary to meet the deficient management and operational skills or Business Operating Plan compliance areas.

## BULK FUEL FACILITY MANAGEMENT/OPERATIONAL SKILLS

### *Financial Management*

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	<i>Financial Management Skill Areas</i>
<i>Annual Budget</i>					
				X	Develop and utilize budgeting process
				X	Staff understanding of budget
<i>Bookkeeping</i>					
				X	Develop and track facility costs using a Chart of Accounts
	X				Understands and tracks operation & management (O&M) costs
	X				Understands and tracks renewal & replacement (R&R) costs
<i>Collection Policy</i>					
				na	Policy in place
				na	Policy implemented
				na	Collections at appropriate level
<i>Business Operating Plan</i>					
		X			Policy board has general understanding of Plan and requirements
		X			Management has general understanding of Plan and requirements
X					Staff has general understanding of Plan and requirements
		X			Management understands financial assumptions and tables
X					Staff understands financial assumptions and tables
	X				Management capable of annual Plan update
X					Staff capable of annual Plan update

Comments:

#### *Annual Budget*

The City has an annual budget for the City of False Pass including the Bulk Fuel Facility. All monthly financial reports are compared to the annual budget. Using the reports from the last fiscal year, the Facility Manager and the City Clerk develop the budget for the upcoming year, which is then approved by the City Council. The City Clerk oversees the expenditures, prepares the monthly reports, and presents them to the Council.

#### *Bookkeeping*

The City Clerk is responsible for the bookkeeping activities of the City including the Bulk Fuel Facility. She handles accounts payable and receivable, reviews the bank accounts, and prepares payroll. Expenditures are tracked using a general chart of accounts labeled "Utilities Expenses"; however, bulk fuel O&M expenses are not detailed.

#### *Collections Policy*

The City of False Pass currently does not retail or wholesale fuel to other users. The fuel stored at the Bulk Fuel Facility is used to operate the City's electric utility.



*Business Operating Plan*

The Facility Manager and the City Council are familiar with the Business Operating Plan and are aware of the R&R and O&M requirements of the Plan. Due to the turnover in City employees, the City Clerk and the Operators are not familiar with the Business Operating Plan. The City Clerk possesses the necessary skills to comply with the financial requirements of the Business Operating Plan, but simply lacks familiarity with terms and conditions of the Plan.

The Plan has not been updated and the financial tables have not been reviewed. Aurora Consulting did review the general terms and conditions, as well as financial assumptions, of the Plan with the City Clerk.

## ***Personnel Management***

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	<b><i>Personnel Management Skill Areas</i></b>
<i>Job Descriptions</i>					
				X	Job descriptions current for all positions
				X	Staff aware of/understand job descriptions
<i>Staffing</i>					
				X	Staffing adequate to operate & maintain the facility
<i>Training</i>					
			X		Staff has adequate training for job requirements
		X			On-going training in place

Comments:

### *Job Descriptions*

Job descriptions for the Bulk Fuel Facility -related positions are available and up-to-date. All employees appear aware of their duties and responsibilities.

### *Staffing*

It appears that the staffing level of the City of False Pass' Bulk Fuel Facility is adequate to operate and maintain the Facility.

### *Training*

There is no formal training plan in place, but training opportunities are valued and utilized. It would be advantageous for the Facility Manager and/or the City Clerk to attend the AEA Bulk Fuel Business Training.

## Operations Management

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	Operations Management Skill Areas
<i>General Operations</i>					
			X		Management/staff have general understanding of operation needs
	X				System to schedule tasks for routine maintenance
	X				System to schedule tasks for non-routine maintenance
<i>Inventory Control</i>					
		X			Inventory control system in place
			X		Knows what parts to keep in inventory for routine maintenance
<i>Emergency/ Spill Response</i>					
				X	Staff can explain/locate oil spill response plan
				X	Written safety policy

Comments:

### *General Operations*

The operators stated that they have a good understanding of the operational needs of the Facility; the Facility components are operated and maintained in good working order. The Primary and Secondary Fuel Operators provide routine (O&M) maintenance functions on the Bulk Fuel Facility; inspecting equipment, reading the capacity meter and filling the electric utility intermediary and day tanks. Other, less frequent inspections and servicing appears to take place on an as needed basis, which for long term planning, may be less than ideal. Maintenance and operations actions are documented on a “visual inspection – monthly checklist” form and an hourly log sheet.

There is no formal system to schedule non-routine (R&R) repair functions. The R&R schedule in the Business Operating Plan was shown to the Operators as a tool to develop a system for scheduling non-routine repair functions.

### *Inventory Control*

There is no formal inventory control and few supplies are kept on-hand for the facility, but what is on-hand seems to suffice for routine maintenance. Other parts, supplies, and equipment are ordered on an as needed basis. The Operator orders it himself or requests that the City Clerk or Mayor place the order.

### *Emergency/ Spill Response*

The City office has copies of the U.S. Coast Guard Operations Manual, U.S. EPA Spill Prevention Control and Countermeasure Plan (SPCC) and the EPA Facility Response Plan prepared by AEA and the Operators located them upon request. They also have an Emergency Spill response plan on CD and were confident that, in the case of an emergency, they would be able to follow through on the plan. A written safety policy was also located.

## BUSINESS OPERATING PLAN COMPLIANCE

### *Financial Management*

Yes	No	NA	<i>Financial Management Compliance Areas</i>
<i>O&amp;M Account</i>			
X			Accounting established
X			Regular deposits into account
X			Systems in place for \$5,000 authorizations
<i>R&amp;R Account</i>			
X			Accounting established
	X		Regular deposits into account
X			Interest-bearing savings account
X			Resolutions required
X			2 signatures required
		X	Escrow account established
		X	Resolutions required
		X	2 signatures required
<i>Budgets</i>			
X			O&M budget
X			Prior to fiscal year
X			R&R budget
X			Prior to fiscal year
<i>Business Plan Updates</i>			
	X		Review assumptions
	X		Update tables
<i>Audits</i>			
	X		Annual audit conducted by qualified, independent auditor
	X		Copy to Denali Commission
<i>Annual Report</i>			
	X		Submitted to Denali Commission timely
	X		Summary of O&M and R&R Projects
	X		Expenditures and account balances
	X		Upcoming O&M and R&R budgets
	X		Updated business plan financial tables
	X		Other information
<i>Insurance</i>			
X			General liability insurance in place
X			Other insurance in place

Comments:

*O&M Account*

The City of False Pass' bank account is at First National Bank of Alaska. This account holds all operating funds for the City.

All check requests are made to the City Clerk/Treasurer. The Mayor approves any expenditure more than \$500, which exceeds the Business Operating Plan's management criteria; all checks are signed by two City Council members. A copy of the signed check is attached to the supporting documentation and filed at the City office.

*R&R Account*

The City has an R&R account for the Bulk Fuel Facility at the First National Bank of Alaska. The balance of the account is approximately \$3,400; which is less than recommended by the Business Operating Plan. The City has budgeted for a \$4,700 deposit for FY08.

*Budgets*

An annual budget for City operations, including the Bulk Fuel Facility, is developed for each fiscal year. Funding the R&R account is one line-item, the Bulk Fuel Facility O&M is a part of the City's operating budget.

*Business Plan Updates*

The City Clerk is not familiar with the Business Operating Plan and was not aware that the financial tables in the Business Operating Plan need to be updated annually. While she has had bookkeeping training, she would benefit from the AEA Bulk Fuel Business Training course, which would better prepare her to meet these requirements of the Business Operating Plan.

*Audit*

The City's most recent audit was performed around 2005 by the CPA firm of Beltrami & Associates. The City Clerk will talk with the Council about getting an audit for the '08 fiscal year.

*Annual Report*

The City of False Pass operates on a July through June fiscal year. An annual report should be sent to the Denali Commission for fiscal year 2008 by September 30, 2008 – no report was submitted for FY07.

*Insurance*

The City is covered under an AML/JIA policy.

## ***Personnel Management***

Yes	No	NA	<b><i>Personnel Management Compliance Areas</i></b>
<i>Facility Manager</i>			
X			Manager designated
	X		Changes reported to Denali Commission
<i>Staffing Adequate</i>			
X			Staffing adequate
<i>Training Plan</i>			
	X		Training plan in place

Comments:

### *Facility Manager*

City Mayor, Tom Hoblet, is the Facility Manager. He is also a commercial fisherman and can be away for weeks at a time depending on the season. In his absence, the primary contact for the facility is Vice Mayor, John Yanik, and in his absence City Clerk, Melanie Hoblet, is the contact. The Denali Commission has not been notified of this change. The City Clerk understands that the Annual Report should reflect these changes.

### *Staffing Adequate*

Staffing appears to be adequate at this time for the Bulk Fuel Facility; the Secondary Operator will take care of all operational concerns until the Primary Operator position is filled.

### *Training Plan*

There is no formal training plan, but as previously noted, the Bulk Fuel Facility management and staff is open and willing to undertake additional training to better their operations and/or financial skills and knowledge of a Bulk Fuel Facility. The Facility Manager and/or City Clerk/Treasurer would benefit from participating in the Bulk Fuel Business Training offered by the Alaska Energy Authority. The Fuel Operator expressed an interest in taking a HAZWopper and/or spill response training.

## Operations Management

Yes	No	NA	Operations Management Compliance Areas
<i>Facility Components in Good Working Order</i>			
X			Facility components in good working order
<i>SPCC</i>			
X			SPCC on-hand
X			SPCC current
<i>Facility Response Plan</i>			
X			Plan on-hand
X			Plan current
<i>Coast Guard Operations Manual</i>			
X			Manual on-hand
X			Manual current

Comments:

### *Facility Components in Good Working Order*

The current Primary Operator and the Secondary Operator provided an excellent visual tour of the Bulk Fuel Facility, intermediary and day tanks, and electric power plant. The Bulk Fuel Facility appeared to be well maintained, in good repair, and operating smoothly.

### *SPCC/Facility Response Plan/Coast Guard Operations Manual*

Copies of the U.S. Coast Guard Operations Manual, U.S. EPA Spill Prevention Control and Countermeasure Plan (SPCC) and the EPA Facility Response Plan prepared by AEA are on hand and the operators indicated they are familiar with them.

## RECOMMENDATIONS

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All of the City staff and management interviewed demonstrated an interest in managing the Bulk Fuel Facility for the long term, in a sustainable manner, and becoming familiar with and implementing the Business Operating Plan. The Operators made themselves available for a thorough site inspection in spite of the snow cover, to answer questions and to assist with the visit in any way possible. Management was very competently represented by the City Clerk. As previously stated, the False Pass Bulk Fuel Facility is well managed and maintained. Other than formalizing some of the procedures and familiarizing management with the Business Operating Plan, we had few recommendations regarding systems, operations, or procedures.

The following outlines the systems and procedures that should be addressed by the City, areas that technical assistance/training may be warranted, and operational areas requiring follow-up:

<b>Systems and Procedures</b>	<b>ASAP</b>	<b>Within year</b>	<b>Long Term</b>
Develop an inventory control plan		X	
Develop a written staff training plan		X	
<b>Technical Assistance</b>			
Update business operating plan and financial table assumptions	X		
Prepare and submit Denali Commission annual report	X		
<b>Training</b>			
Schedule/arrange training on the Business Operating Plan for Council and Staff		X	
Schedule/arrange training for City Clerk	X		
Schedule/arrange training for the Bulk Fuel Facility Operator	X		
<b>Operations</b>			
Develop system to schedule tasks for routine (O&M) maintenance		X	
Develop system to schedule tasks for non-routine (R&R) repair			X



## TRIP PHOTOS

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connection



valve



pipng



connection to pad



Tank



Control Panel



False Pass Tank Farm II



Tank II



tank gauge



False Pass Tank Farm



Spill Equipment Storage Trailer



tank gauge II



top of tank



pipng II



tank III



pipng IV



valve II



valve III



valve IV



pipng III



fire fighting equipment



control box



control box interior II



control box interior



control box interior III



control alarm



controls II



interior IV



spill response trailer III



looking toward dock



tank farm gate



spill response trailer II



False Pass tank farm III



False Pass tank farm IV



signage



False Pass tank farm V



False Pass tank farm VI



piping V



valve V



valve VI



marine header



marine header II



electric plant generator



marine header III



dock back to tank farm



marine header IV



intermediate tank



intermediate tank signage



intermediate tank spill equipment



Int. tank gauge



False Pass City Office



int tank connections



int tank piping



int tank piping II



inventory II



inventory



fuel level tables



fuel transfer truck



fuel spill emergency response



day tank table



False Pass USPS